

No. 4943

IN THE
United States Circuit Court of Appeals

For the Ninth Circuit

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RIP VAN WINKLE WALL BED Co. (a corporation),

Appellant,

vs.

VERNE L. HOLMES, GENE C. HOLMES and
BONDORRA HOLMES (a co-partnership doing
business under the firm name and style of
Holmes Bed Manufacturing Company),
MARSHALL & STEARNS COMPANY (a corporation)
and RUTH B. ANDERSON,

Appellees.

REPLY BRIEF FOR APPELLANT.

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FILED

NOV 13 1926

F. D. MONCKTON,
CLERK

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REPLY BRIEF FOR APPELLANT.

In our opening brief we separately argued three primary defenses. These were: (1) that defendant is a licensee; (2) that plaintiffs have no right to maintain this suit; and (3) that the "Ideal" bed is not an infringement. Other defenses referred to in the answer were also considered.

No serious attempt seems to have been made by opposing counsel to reply to these defenses. It is said that the defenses are "frivolous and utterly without merit" that they are a "sham and pretense" and that

they constitute a "labyrinth of hypothesis". Apparently we are not given the credit of sincerity. Such expressions are usually employed when it is found impossible to answer an argument on its merits.

Appellees' scattering brief seems to be a record of the random thoughts of the writer and we find some difficulty in correlating them for reply. However the contentions appear to be as follows:

I.

That defendant has admitted the validity of the Anderson patent and that therefore the question of validity is eliminated on this appeal.

II.

That defendant has admitted that the "Duplex" bed is an infringement.

III.

That defendant is estopped from contending that the "Ideal" bed is not an infringement by reason of certain representations made by defendant in the prior Murphy suit.

IV.

That there was a finding by this court in the Murphy suit that the "Ideal" bed was made in accordance with the Anderson patent and that the former finding is *res adjudicata* as between the same parties.

V.

That while Holmes and the Marshall & Stearns may not be necessary or indispensable parties, still they

are proper parties and their presence in this case joined with Mrs. Anderson the owner of the patent, cannot prejudice defendant.

VI.

That the Anderson patent can be distinguished from the prior James patent for the reason that the bed frame of Anderson overhangs one side of the panel and extends along the wall whereas the stove of James does not.

VII.

That defendant's model of the structure of the James patent is a deception.

A noticeable thing in the appellees' brief is that no attempt is made to justify the questionable business integrity of plaintiff Marshall & Stearns in filing this alleged patent infringement suit and paying all the expenses therein, after securing cancellation of its competitors license and having itself substituted as a licensee under the patent. Such action cannot be justified and we confidently leave it to this court to say whether or not the plaintiffs are entitled to the equitable relief for patent infringement for which they pray.

We will reply separately to each of the contentions as set forth above.

I.

VALIDITY OF ANDERSON PATENT.

Defendant has *not* admitted the validity of the Anderson patent.

If the court finds it possible to decide this case on a question of license or no right to maintain this suit we assume it would prefer to do so. Courts are often reluctant to hold a patent invalid if a case can be decided upon other grounds.

The defense of invalidity of the Anderson patent is however *squarely before this court*.* It appears in the answer and it is inconceivable that this court will pass upon the question of infringement without first determining whether the patent is valid. A finding of infringement necessarily assumes a valid patent.

While defendant is a licensee it is estopped from contesting the validity of the patent under which it has been licensed. Should the defense of license here interposed be overruled, however, this court may very well reach the conclusion that the patent is invalid.

In this case the prior art and especially James patent No. 825,840 (Deft.'s Exhibit G) clearly demonstrates that the only novelty in Anderson is the substitution of a bed for the stove of James, while the door arrangement remains precisely the same. This is merely the substitution of equivalents which lacks invention, since beds have been attached to doors for over fifty years prior to Anderson. Only mechanical skill and not invention is required to hang a bed instead of a stove to the centrally pivoted door of James.

*Italics ours unless otherwise noted.

II.

NO ADMISSION RESPECTING "DUPLEX".

Defendant does not admit that its "Duplex" bed is an infringement. If the defenses of license and right to maintain this suit are overruled and the court concludes that the patent here sued on is valid, then the "Duplex" bed would probably be an infringement. This is by no means an admission of infringement in the sense that plaintiffs seem to urge in their brief.

III.

THE PRIOR MURPHY SUIT.

At the oral argument and in the brief, plaintiffs relied strongly on the prior suit of *Murphy and Marshall & Stearns v. Rip Van Winkle Wall Bed Co.*, 1 Fed. (2nd) 673 in an endeavor to work out an estoppel. It is said that by reason of two admissions made by defendant in the former suit it is now estopped from denying that the "Ideal" structure infringes the Anderson patent. These admissions, in the language of the appellees' brief are alleged to be as follows:

(a) "In the Murphy case, defendant's Vice-President, Neil Sinclair, and defendant's then expert, George J. Henry, repeatedly asserted that the so-called 'Ideal' installation was made under and in accordance with the Anderson patent and that royalties were being paid thereunder." (Brief, page 24.)

(b) "Defendant admits now that it has no patents on its 'Ideal' structure although defendant claimed to have one in the Murphy suit." (Brief, page 26.)

Neither of these alleged admissions appear in the record of the so-called Murphy suit. They exist only in the mind of plaintiffs' counsel. Let us examine them separately.

(a) Nowhere in the Murphy suit does the name "Ideal" appear in connection with any type of wall bed sold by defendant. It is not in the bill of complaint, the answer or any of the affidavits or other pleadings. The *Murphy* case was submitted entirely on affidavits. Defendant's present attorney also represented this defendant in the *Murphy* case, and in preparing the defense in the District Court in that case he considered it involved the different types of two-door beds made and sold by defendant. There was no indication whatever in the bill of complaint that it was confined to the "Ideal" bed. If there is any doubt about this, we ask the court to examine the bill of complaint and other pleadings in the *Murphy* case.

In the present case plaintiffs contend that the "Ideal" and "Duplex" beds are both infringements of the Anderson patent, and that the differences existing between the "Ideal" and "Duplex" are immaterial as far as the issue of infringement is concerned. This contention could have been made equally well in the *Murphy* suit. We repeat that nowhere in the pleadings of the *Murphy* suit is the issue limited to any structure of defendant's known as the "Ideal" bed.

It is said that defendant's vice-president, Neil Sinclair

“* * * repeatedly asserted that the so-called 'Ideal' installation was made under and in ac-

cordance with the Anderson patent and that royalties were being paid thereunder.” (Appellees’ Brief, page 24.)

This is not in accordance with the record of that case. The testimony of Mr. Sinclair, reviewed by this court in the *Murphy* case is embodied in one short affidavit appearing on page 61 of that record and also in evidence in this case and printed at page 28 of our record. His entire statement regarding the Anderson patent is as follows:

“On or about the thirteenth day of December, 1920, the Rip Van Winkle Wall Bed Co. secured a license under Anderson patent No. 1,074,592, issued on September 30, 1913, on an application filed December 19, 1910. A copy of said patent is attached to the affidavit of George J. Henry as Exhibit 1, and a copy of said license is attached hereto as Exhibit ‘A’. The said license is still in full force and effect and the Rip Van Winkle Wall Bed Co. has since September 30, 1913, and now is paying a license fee or royalty of one (\$1.00) dollar for each and every wall bed manufactured and sold under said patent.”

This is far different from the interpretation plaintiffs put on his testimony. Everything Mr. Sinclair has said is true and there is nothing in the present record which in any way contradicts or impeaches it.

We will not spend time in considering Mr. Henry’s affidavit in the *Murphy* case. He was merely the patent expert and not an officer of the corporation. Furthermore his affidavit is not in the record in this case, and plaintiffs’ statements concerning what he said in the *Murphy* case are merely volunteered. But

if this court takes judicial notice of the Henry affidavit we will also ask it to examine the reply affidavit of Marshall & Stearns' expert, Hubert G. Prost, who strenuously contended that the defendant's structure was not shown in or covered by the Anderson patent.

(b) Nowhere in the *Murphy* case did defendant claim to have a patent covering the "Ideal" bed. Let us see what Mr. Sinclair's affidavit, in that case, says with respect to any patent other than the Anderson patent. It is the same affidavit previously referred to and printed at page 28 of this record. The portion in question is as follows:

"In addition to operating under a license of the Anderson patent, the company has also a license under my own patent, No. 1,303,509, issued to me on May 13, 1919. This patent, shows a wide opening through which a standard double bed is passed, the opening adapted to be closed by two doors of approximately the same width. The vertical axis upon which the bed is mounted is central of the opening. A copy of this patent is hereto attached as Exhibit 'B'."

It is inconceivable how present counsel can reach the conclusion that:

"Defendant admits now that it has no patents on its 'Ideal' structure although defendant claimed to have one in the *Murphy* suit."

At no time did defendant ever make such a claim in the *Murphy* suit. Mr. Sinclair said that his company had a license under patent No. 1,303,509 issued May 13, 1919. It relates to a two-door wall bed made and sold by defendant but does not specifically cover the type shown as the "Ideal". At the time of the

Murphy suit defendant did have a license under that patent and there is not a single statement in the present record which disputes that fact.

It is obvious therefore that the contentions of plaintiffs that defendant, by reason of admissions in the *Murphy* suit, is estopped from alleging non-infringement by its "Ideal" bed, should be overruled. Furthermore it is elementary that an estoppel must be pleaded. In this case there is nothing of that nature in the bill of complaint.

But even if it is true that defendant's "Ideal" bed at the time of the *Murphy* suit *was actually* manufactured under a license under the Anderson patent, what is there to prevent the defendant at this time from alleging that such "Ideal" bed is not an infringement of the Anderson patent. According to plaintiffs' theory that former license has been terminated and defendant is therefore a stranger to the patent. As a stranger, even though a former licensee, it can interpose as a defense that the patent is invalid and is not infringed. The fact that defendant was a former licensee does not constitute an estoppel. It is said in *Walker on Patents*, page 371, and substantially repeated in many cases, that:

"A surrender of a license in pursuance of its own provision, restores the parties to their former relation, and enables the licensee to thereafter act in respect of the patent, with the rights and responsibilities of strangers to the licensor."

And in *Kohn v. Eimer*, 265 Fed. 900, the Court of Appeals for the Second Circuit says, page 904:

“The estoppel which arises from a license is mutual, and includes as much the protection of the licensor from suit for infringement as the licensee’s incapacity to dispute the validity of the patent. Were it not so, a license once accepted would be an estoppel forever though the rule is *settled* that, when the license is ended, the estoppel disappears with it.” (Citing cases.)

In this view of the matter it is entirely immaterial what defendant contended in the *Murphy* suit. If defendant’s former license has been terminated, then it can interpose the defense of invalidity as well as that the “Ideal” is not an infringement of the patent sued on. There is no estoppel and defendant is entitled to its day in court on those issues.

IV.

RES ADJUDICATA.

There was no finding by this court in the *Murphy* suit that the “Ideal” bed was an infringement on the Anderson patent. That is one of the issues in this case but in the *Murphy* suit the issue related to the infringement of the *Murphy* patent and not to the Anderson patent.

It is only in respect to matters actually in litigation and determined that the finding in a former case is conclusive in a subsequent suit between the same parties. This is the rule laid down in *Walker on Patents*, page 544, Section 468, citing cases. In *Brusie v. Peck Bros.*, 54 Fed. 820, at page 822, it is said that:

“* * * it is only in respect of matters actually in litigation and determined that the judg-

ment is conclusive in another action.” (Citing *Cromwell v. County of Sacramento*, 94 U. S. 351.)

Nowhere in the opinion filed by this court in the *Murphy* case, is the name “Ideal” mentioned in connection with beds. Evidently referring, however, to such a bed or a structure similar to it, Judge Morrow, in one place compares it with the Anderson patent and says (1 Fed. 2nd 673 at page 674):

“The defendant has therefore made *an improvement* on the Anderson patent, * * * Defendant has also found it *unnecessary* to make the hinged door approximately one-half of the opening, and has therefore made it approximately one-third of said opening.” (Italics ours.)

It is apparent that this court distinguished between the Anderson patent and a structure similar to the “Ideal”, and nowhere is there a finding that such a structure was an infringement of the Anderson patent.

V.

PARTIES PLAINTIFF TO SUIT.

It is said that since Mrs. Anderson, the owner of the patent is before this court, the presence of Holmes and Marshall & Stearns would not prejudice defendant for the reason that they are at least proper parties. (Appellees’ Brief, page 16.)

This contention is made notwithstanding established law to the contrary. *Blair v. Lippincott Glass Co.*, 52 Fed. 226, at page 227, a case which has never been overruled, says:

“It must be deemed *settled*, both upon principle and authority, that a simple licensee has no such interest as to make him either a necessary or *proper* party to a bill filed to restrain the infringement of a patent right.”

And on the same point it is said in *Walker on Patents*, page 485:

“But the holder of a license less than exclusive *must not* join in an action in equity for an infringement of the patent under which he is licensed, * * *”

There is not a scintilla of evidence in this case that Holmes or Marshall & Stearns are anything more than simple, non-exclusive licensees. Both license agreements are in evidence and are printed in full in the appendix to our opening brief. They give licenses *less* than exclusive and therefore such licensees must not bring this suit. Under the authorities above cited they are not even proper parties.

The presence of these two non-exclusive licensees *is* prejudicial to defendant in this suit. It was Marshall & Stearns that secured the purported exclusive license under the patent in suit in the territory previously licensed to defendant Rip Van Winkle, and it is Marshall & Stearns that has prosecuted and maintained this suit. Harry B. Stearns the president of that company verified the bill of complaint and the contract under which this suit was filed is printed in the appendix to our opening brief. (Page xi, paragraph 6.) Mrs. Anderson has never cancelled nor acquiesced in the alleged cancellation of defendant's license. She did not file this suit and the bill of com-

plaint does not state a cause of action on her behalf nor ask for relief for her.

The case of *Independent Wireless Telegraph Co. v. Radio Corporation of America*, decided by the Supreme Court February 1, 1926, is extensively quoted from commencing at page 17 of appellees' brief. In that case, however, an *exclusive* licensee and a patent owner were joined as parties plaintiff and since no jurisdiction could be acquired over the patent owner as a defendant the court considered it proper for the exclusive licensee to join such owner as a plaintiff without its consent. We have no quarrel with opposing counsel on the soundness of the legal reasoning in that case. It is not in point however. Here two *non-exclusive* licensees, who have no cause of action for patent infringement whatsoever, either against this defendant or any one else, join the patent owner in a suit as a party plaintiff, without her consent. We say they have no right to do so and that the suit should be dismissed on this ground alone. Such licensees have no cause of action themselves either for an injunction or damages, and the presence of the owner of the patent cannot cure the defect. This point is more fully discussed in our opening brief commencing at page 24.

VI.

THE JAMES PRIOR ART PATENT.

The James patent No. 825,840 (Exhibit "G") is discussed in appellees' brief at page 39 and again commencing at page 41. Apparently opposing counsel are

of the opinion that no invention exists in substituting the bed of Anderson for a stove of James in precisely the same door arrangement. The novelty, however, which is claimed for Anderson is stated on page 42 of the brief and is:

“* * * the positioning of a full-width bed on the pivoted panel so that a considerable portion of the bed frame *overhangs one side of the panel*, such overhanging portion of the bed *extending along the side of the wall* when the bed is extended, so that access may be had to the closet through the hinged door.” (Italics that of opposing counsel.)

There is nothing new in a bed extending along the side of a wall so as to leave the opening unobstructed. That is shown in the Arnaud patent No. 84,466 of December 1, 1868 (Deft.'s Ex. "A"), and Ruggles patent No. 748,563. (Deft.'s Ex. "D".)

It must then be this so-called *overhanging* feature occurring on one side of the panel which constitutes the novelty, according to appellees' brief.

What possible utility has it to be dignified by calling it an invention? The overhanging of the bed is simply the result of attaching a bed to the back of a door which is narrower than the bed. A double bed is wider than the panel whereas the stove is not. Having determined to substitute a bed for a stove to the pivoted panel of the James door arrangement, the overhanging or overlapping of the bed beyond the door necessarily follows. If this overhanging feature constitutes invention, then every different manner of attaching a bed to the back of a door would likewise seem to constitute invention, a conclusion which is absurd.

VII.

THE JAMES MODEL.

It is said that defendant's model (Exhibit "P") of James patent No. 825,840 is a "deception on the court", a "fraud in practically every particular", is "bogus" and constitutes a "trick model". (Appellees Brief, pages 46 and 47.) Such intemperate language is a desperate attempt to discredit the James prior art patent which appellees apparently feel cannot otherwise be met.

When we look for the reasons why the model is considered "bogus" we find only two stated, namely that there is a *cross-bar* attached to the door and that there is a *stop plate* limiting the swing of the panel. Both these objections are really unworthy of consideration and in no way change the structure or mode of operation of James. The cross-bar was attached to the door so that the stove of James could be removed and the bed of Anderson substituted to show that a bed attached to the rear of the panel, utilizing precisely the same door arrangement as shown in James, would work without any changes or modifications whatever except for the bolts or other means necessary for attaching the bed to such panel. The stop plate was used to limit the movement of the James panel so as to make it a practical operative device. For our purpose, however, this stop plate can be removed as it is not essential to the present consideration. Stops for centrally pivoted panels are very old, one form being shown in Jordan patent No. 892,668. (Deft.'s Ex. "L".)

But after all, the model is only for illustrative purposes and the James patent, exhibit "G" speaks for itself. Fig. 1 of that patent in elevation and Fig. 4 in plan show the same door arrangement as Anderson. In Fig. 4, the side hinged door is indicated by the numeral "5" and the centrally pivoted panel by the numeral "6". The stove is designated at "19". It is not necessary to rely on the model. The James patent itself, together with the other prior art, negatives any novelty in Anderson.

CONCLUSION.

If this court should conclude that defendant's license has been revoked and plaintiffs have a right to maintain this suit, then defendant under the authorities is a stranger to the patent. It can dispute its validity and plead non-infringement. Perhaps defendant's license of 1920 was ill advised, but be that as it may, it was satisfied to pay royalties over a period of years, rather than plunge itself into patent litigation. Under these circumstances there is no estoppel which can prevent defendant from asserting that its "Ideal" bed is not an infringement or even that there is no novelty in the Anderson patent.

The question of validity is before this court, as well as all the other defenses pleaded in the answer. When these defenses are fully considered, together with the motives for filing this suit and the equities existing in favor of the defendant it is submitted that the decree

of the District Court should be reversed and the bill of complaint dismissed.

Dated, San Francisco,
November 13, 1926.

Respectfully submitted,

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JOHN H. MILLER,
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